

## Message Text

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PAGE 01 NEW DE 07260 201648 Z

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5088

C O N F I D E N T I A L NEW DELHI 7260

EXDIS

FOR SISCO FROM MOYNIHAN

E. O. 11652: GDS

TAGS: ECONK, IN

SUBJECT: AMBASSADOR'S CALL ON T. A. PAI, MINISTER OF HEAVY  
INDUSTRY, JUNE 6, 1973

SUMMARY: PAI SEEMS A SENSIBLE MAN WHOSE SUCCESS IN MANUFACTURING  
IS CONSTRAINED BY THE CONCEPTS OF THE SOCIALIST PLANNERS AROUND  
HIM. HE IS TOUGH ABOUT INDIA'S NEED TO PULL ITSELF UP ECONOMICALLY  
AND THE HAZARDS OF RECEIVING THE WRONG SORTS OF AID. HE  
UNDERSTANDS  
WELL ENOUGH THAT CAPITAL IS NEEDED FOR INDUSTRIAL GROWTH, AND  
SEEMS OPEN TO COLLABORATION WITH WESTERN FIRMS. HIS PROBLEM IS  
THAT THE SYSTEM HE IS RESPONSIBLE FOR GIVES NO ONE ANY INCENTIVE  
TO DO MORE OR BETTER WORK. HE IS NOT HOSTILE IN THE LEAST.  
END SUMMARY.

1. PAI IS A BANKER WHO TALKS LIKE A MANUFACTURER, WHICH  
IS THE ROLE HE PLAYS AS MINISTER OF HEAVY INDUSTRY. HE  
DOES NOT LISTEN MUCH. BUT THEN NEITHER DOES HE SEEM  
VERY MUCH TO DISSEMBLE. HE WAS OUT OF THE GATE AND ONTO  
THE RAIL IN A FLASH.

2. DEVELOPING COUNTRIES FELT THEY HAD TO EMULATE DEVELOPED  
COUNTRIES IN MEANS AND MODES OF PRODUCTION AND THIS IS  
WHERE THEY BEGAN TO GO WRONG. PAI IS RESPONSIBLE FOR  
HINDUSTAN MACHINE TOOLS WHICH MANUFACTURES 450,000  
WATCHES A YEAR, AMONG OTHER THINGS. NOTHING NEAR THE  
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PAGE 02 NEW DE 07260 201648 Z

DEMAND. SO THE REST ARE SMUGGLED IN. HE ASKED WHY PRODUCTION HAD TO BE CONCENTRATED IN ONE HUGE PLANT. HE WAS TOLD THE SWISS DO SO. HE REPLIED THAT THIS IS BECAUSE THE SWISS ARE SHORT OF LABOR. TWENTY YEARS AGO THEY ADVERTISED THAT THEIR WATCHES WERE MADE BY HAND IN SMALL SHOPS. THIS IS OBVIOUSLY THE WAY THE INDIANS SHOULD MAKE WATCHES. AS IT IS, MOST OF THE BEST WATCHES ON THE MARKET ARE MADE BY WATCHMAKERS WHO IMPORT SPARE PARTS FROM SWITZERLAND AND THEN ASSEMBLE THE REAL THING. IF BALANCE WHEELS AND A FEW SIMILAR PARTS WERE MADE CENTRALLY, INDIA COULD QUITE DECENTRALIZE THE REST OF THE PROCESS. INDIA IS NOT SHORT OF LABOR.

3. PAI'S GREAT PROBLEM IS PRODUCTION. THE SOCIALIST HERITAGE MAKES IT IMPOSSIBLE TO URGE GREATER PRODUCTION AS SUCH: THE ANSWER INVARIABLY COMES BACK THAT THIS ONLY MEANS MORE PROFITS FOR THE BOSSES. HE HAS FOUND, HOWEVER, THAT HE CAN TALK ABOUT "UTILIZING INSTALLED CAPACITY," WITHOUT AROUSING SUCH ALARMS. HE CHARGES THAT FAILURE TO UTILIZE INSTALLED CAPACITY IS "ANTINATIONAL" AND THIS IDEA IS CATCHING ON.

4. INDIA WILL SUCCEED, PAI BELIEVES, BUT IT MUST CATCH UP WITH A 150 YEAR GAP IN ITS NATIONAL DEVELOPMENT, AND IT MUST LEARN TO MAKE HARD DECISIONS. INDIA OUGHT NEVER TO HAVE ACCEPTED P. L. 480 FOOD. IT LEFT AGRICULTURE SOFT. AT VERY LEAST THE AMERICANS SHOULD HAVE ASKED FOR OR THE INDIANS SHOULD HAVE INSISTED ON GIVING INDIAN GOODS IN EXCHANGE. EVEN IF WE DUMPED THEM IN THE SEA ON THE WAY BACK. IN THE PROCESS INDIA WOULD HAVE LEARNED ABOUT QUALITY CONTROL AND WOULD HAVE OPENED MARKETS.

5. THE GREAT CORRUPTOR OF INDUSTRY IS PROTECTION. THE JAPANESE, FACED WITH HARD COMPETITION AT HOME WERE FORCED OUT INTO WORLD MARKETS WHERE THEY HAD NO PRIVILEGES, AND NO INFLUENCE, WHERE THE ONLY THINGS THAT MATTER ARE PRICE AND QUALITY. IT MADE THEM GREAT.

6. OF COURSE INDIA NEEDS ADDITIONAL CAPITAL RESOURCES AND JOINT ENTERPRISES WITH WESTERN FIRMS. I WAS NOT TO WORRY AT THE RESISTANCE TO THIS NOTION, PAI SAID. IT WAS CONFIDENTIAL

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PAGE 03 NEW DE 07260 201648 Z

CRUMBLING FAST, WHAT WITH THE RUSSIANS IMPORTING FIAT PLANTS AND EXPORTING FIATS TO KUWAIT. THEY KNEW WHAT WAS UP. INDIANS WOULD TAKE NOTE.

7. DID I KNOW THAT INDIA WAS THE FIRST LITERATE NATION? UNTIL THE EAST INDIA COMPANY CAME. BEFORE THAT EVERY CHILD

WAS CAUGHT HIS THREE R' S BY A VILLAGE TEACHER UNDER A BANYAN  
TREE. WITH MACAULAY' S REPORT ON EDUCATION, WHICH CALLED  
FOR THE USE OF ENGLISH, AN ALTOGETHER NEW FORM BECAME  
DEFINED AS EDUCATION, AND THE MASSES LAPSED INTO ILLITERACY.

8. I WOULD HAVE LIKE TO HAVE STAYED LONGER, BUT HE SOMEHOW  
CONVEYED THE SENSE THAT HIS TIME WAS MONEY EVEN IF, IN THIS  
INSTANCE, PUBLIC MONEY.  
SCHNEIDER

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